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C O N F I D E N T I A L SECTION 01 OF 04 ALGIERS 002194

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TAGS: [PGOV](#) [PHUM](#) [SOCI](#) [ECON](#) [KWMN](#) [AG](#)

SUBJECT: DESPITE PROBLEMS, ALGERIAN REFORM PROCESS MOVING FORWARD

Classified By: Ambassador Richard W. Erdman,
for reasons 1.4 (b) (d).

OVERVIEW

11. (C) Under the leadership of President Bouteflika, Algeria has embarked on a process of serious and sweeping reform. The process has been uneven, to be sure, and Algeria has a long way to go before it achieves real democracy, rule of law, habits of transparency, and open markets. Executive power is not adequately checked by an independent judiciary or robust legislature. Political parties still mainly function as instruments of their leaders and as transmission belts for decisions taken on high, rather than as vehicles for aggregating and reflecting grass roots sentiment upward. Algeria's legacy of failed socialism continues to weigh heavily, corruption is a daunting problem, and socially and politically reintegrating a society torn apart by more than a decade of terrorism in the nineties remains a major challenge. With the security situation significantly improved, state coffers overflowing with petro-dollars, and the public increasingly focused on bread and butter issues, meeting public expectations in this area will also be critical.

12. (C) For all these problems, Algeria is on a positive path toward modernization and has the resources and potential to become, over time, a quiet success story in the BMENA region. Bouteflika has shifted the political center of gravity squarely into the civilian camp, following years of barely disguised military rule. With the recently approved Charter for Peace and National Reconciliation, a framework of sorts has been established for reintegrating peaceful Islamic elements more fully into society and politics, while fencing off radical fundamentalists. The press and civil society groups, despite some harassment, both retain their ability and will to criticize government actions and shortcomings. The economy is registering steady growth at 5 per cent or more and slowly being transformed via privatization, new non-hydrocarbon investment, and a small but important reverse flow of Algerians returning after having spent years abroad. Unemployment, though still unacceptably high, is receding. A massive 5-year infrastructure investment program is under way. And, with terrorism defeated strategically and his own legitimacy strengthened by his 2004 re-election victory, Bouteflika has finally begun to turn reform rhetoric into reality.

13. (C) Specifically, the past year and a half has seen a significant expansion of women's rights; further progress in reducing illiteracy; and new legislation on judicial, educational, penal, criminal, and anti-corruption reform. On the economic front, Bouteflika has pushed through numerous WTO accession-related reforms and directed an aggressive privatization effort (over 200 firms privatized so far, with a target of 300 by the end of 2005). He has also passed landmark reform legislation governing the hydrocarbon sector; liberalized the telecommunications sector; approved new anti-money-laundering legislation; authorized major steps toward bank liberalization; and won parliamentary approval for the EU-Algeria Association Agreement, which took effect this September. In sum, change is occurring and will likely accelerate over the next 5 - 10 years as the aging liberation war generation passes from the scene. While Bouteflika is certainly no Ataturk, intellectually willing and politically able to make a radical break with the past, he has recognized the failures of the socialist system, so far mostly used his dominance of state institutions to press for reform, and set in motion a modernizing dynamic that over time holds the promise of transforming Algeria's economic and, eventually, political landscape in the direction of democracy and open markets. (End Overview)

CONSOLIDATION OF CIVILIAN RULE, EXECUTIVE DOMINANCE

14. (C) Bouteflika's resounding re-election victory in April 2004 -- the first contested presidential election in Algerian history and the first in which the military remained neutral -- marked a watershed for military-civilian relations in Algeria. It changed the basic institutional dynamic, increasing Bouteflika's legitimacy and making him beholden to the Algerian public, not the military, for his office. It also led to the resignation of the longtime Armed Forces

Chief of Staff (Lamari), providing Bouteflika an opportunity to reassert his formal role as the Commander of the Armed Forces, replace Lamari with a weaker officer beholden to him, and appoint new senior service and regional commanders, the one important exception being Military Intelligence. The military's increasing focus on professionalization and modernization also fed this new dynamic.

15. (C) At the same time, growing executive dominance has been fueled by the lack of adequate judicial and legislative checks, the general ineffectiveness of Algerian opposition figures, and Bouteflika's genuine popularity with the Algerian public, who credit him with improving the security situation, ending Algeria's international pariah status, restoring Algeria's financial health, and setting Algeria on a path toward national reconciliation. A leader with a populist and paternalistic bent, Bouteflika has increasingly given the impression he sees himself as the indispensable leader who alone is capable of leading the Algerian people from the wilderness of civil strife to a new era of reform, reconciliation, and democratic prosperity. While such a mind-set can lead to undemocratic behavior in the pursuit of laudable objectives, a temporarily overly powerful executive may be the historic price Algeria will have to pay for wresting power away from the military.

WOMEN'S RIGHTS REFORMS

16. (U) In March 2005 the Parliament amended the sharia-based Family Law of 1984 to permit women to transmit nationality to their spouse and children. It also explicitly permits women to marry a foreigner. Other significant changes to the Family Law include:

- Marriage by proxy was abolished in an effort to stop forced marriages, and a common legal age for marriage, 19, was established for both men and women.

- When signing the wedding contract, a woman may now choose the male sponsor of her choice. The institution of the marriage sponsor (or "wali") was retained, thus formally denying women full legal equality, but was in practice completely gutted. Under the amended law, the woman contracts the marriage, not the wali on local behalf, and may choose any male to be her sponsor.

- Fathers are now required to ensure the provision of housing for all their minor children in case of divorce.

- Women can ask for a divorce and more easily conclude prenuptial contracts barring polygamy. Although not abolished, polygamy requires the prior consent of a judge as well as of all spouses before an additional marriage can be approved.

- As evidence of the growing importance of women in the Algerian economy, women make up 17.5% of the work force 45% of these women are under 30. A strong majority of working women, 60%, work in the private sector.

JUDICIAL REFORMS

17. (U) Under Bouteflika, 75% of the entire legal code has been amended or completely changed. This includes the Civil Code, Penal Code, and Commercial Code. The Penitentiary Organization Code was also modified to bring Algerian practices up to international standards. In addition:

- Some 55% of all judges are women and 50% of the new class of magistrates are women.

- The training period for magistrates has been tripled, from one year to three, since 2001.

- Algerians are now able to obtain their judicial record and any other legal or judicial data by consulting two new web sites maintained by the Ministry of Justice.

- The former president of the Constitutional Court was a woman, and two female magistrates began serving in September on the High Council of Magistrates.

- Courts are becoming more specialized as the training of magistrates expands.

- The Justice Ministry has actively sought U.S. training opportunities for its judges.

EDUCATION REFORMS

18. (U) The Ministry of National Education began reforming primary schools in 2004 and began targeting secondary schools in 2005.

-- Illiteracy stands at 26.5%, down from 31% ten years ago.

-- Attendance of school-aged children reached 97% in 2005, up from 89% in 2003.

-- Between 1999 and 2005, the budget for education tripled.

-- 6,000 new teaching jobs were created in 2005 alone.

-- The Government extended some curriculum requirements, such as the teaching of Arabic and national exam requirements, to private schools. Optional instruction at private schools, with authorization from the Ministry of National Education, is still allowed.

-- Primary schools reintroduced French (after an absence of several years) starting in second grade and in 2005 began offering the Tamazight (Berber) language as an elective beginning in the fourth grade. The study of English is required beginning in the fourth grade.

-- The Education Minister on October 30 is signing a major English teaching / curriculum reform program financed by MEPI.

PRESS FREEDOM

19. (U) Despite harassment, highly publicized arrests, and prosecutions of a few journalists for alleged defamation, the press still is able to vigorously criticize Government and presidential actions. A new satirical newspaper very critical of the Government, L'Epoque, began publishing in August. Its editor in chief is a woman, Baya Gacemi.

-- The Government of Algeria is currently revising the Information Code with the collaboration of journalists and editors. The Information Code really amounts to a new code of journalistic ethics; upon its completion, journalistic practices would, in theory, no longer be addressed in the Penal Code (i.e., defamation would be de-criminalized). The Information Code's promulgation is expected in 2006.

-- Algeria has 45 daily newspapers, which sell a total of 1.5 million copies, although the circulation of most of these papers is very small. The 49 weekly publications sell 622,000 copies, while the 11 monthly periodicals sell 600,000.

-- A television channel in the Tamazight language will soon be launched. Its programming will include news programs in five different dialects: Berber, Chenoui, Mozabite, Chaoui, and Targui.

-- The International Federation of Journalists, which suspended its activities in Algeria in 1996, reopened its office in Algiers in 2004.

MONEY LAUNDERING AND CORRUPTION

10. (U) While corruption remains a serious problem some steps have been taken to address it.

-- Legislation on money laundering was officially adopted February 2005 and in October the government decreed that all transactions over 50,000 dinar (\$685) must be effected by formal money transactions (ie checks, not cash).

-- Algeria also adopted an Anti-Corruption law this year which implements Algeria's EU Association Agreement commitments, broadens the definition of corruption, and stiffens penalties.

-- President Bouteflika has publicly spoken out against corruption in strong terms, asserting no one, regardless of position, will be exempt. The GOA is making an example of certain high-profile offenders by firing or prosecuting senior customs officials, 60 magistrates, state energy company officials, and two governors.

ECONOMIC REFORMS

11. (U) Algeria ratified the Association Agreement between the EU and Algeria this year. The agreement was brought into force September 1. In addition, as part of its accession to the WTO:

-- Algeria has passed by executive decree several laws required to bring Algeria into conformity with WTO norms, including the Law for Copyright and related rights, trademarks, patent and integrated circuits; the Law on

Commercial Practices; the Law for IPR Protection; the Law on Foreign Trade; the Law on the Protection of Animal and Vegetable Species; the Law on the Suppression of Technical Barriers to Foreign Trade; and most recently, elimination of a ban on wine imports written in to the 2005 Supplementary Finance Law.

-- Also in July, Algeria passed a new Law on Hydrocarbons that more fully opens the hydrocarbon market to competition and foreign investment and transfers the regulatory function of the state energy company to a new state regulatory agency.

PRIVATIZATION -----

¶12. (U) There are currently roughly 1,200 public enterprises that are open for privatization which will be sold off individually through public tenders and should be offered for 100% foreign control. According to the Minister for Privatization, some 200 of these firms have been privatized so far and the target for 2005 is 300.

-- The Ministry of Finance released bid packets in July 2005 offering the economy's first bank privatization. While state-owned businesses were privatized in the past, this is the first time in Algeria's history that a foreign entity will be allowed 51% ownership of a state bank, with the remaining 49% divided between the state and private Algerians.

-- Algeria has agreed to a U.S. Department of the Treasury technical assistance program that will advise Algeria on bank privatization and will involve a resident Treasury advisor to help with each step of the process.

TELECOMMUNICATIONS AND TECHNOLOGY REFORMS -----

¶13. (U) Algeria has made substantial strides in opening up its telecommunications sector over the last three years and is now one of the regional leaders in this area.

-- From 2001 to 2004, the Government spent approximately \$486 million on developing the telecommunications sector as part of opening the sector to competition. Another \$165 million was allotted to scientific research.

-- The number of mobile telecommunications subscribers reached 11 million in 2005. Private entities control 66% of the mobile telecommunications sector. There are only 3.8 million subscribers to land-line communications. Though the land-line market is currently 100% state-owned, in March 2005 an Egyptian consortium won the first private land-line license. The consortium plans to begin operations before the end of 2005.

-- In 2000, Algeria had 1,000 Internet subscribers. By 2005, there were 100,000, with an estimated 1 million expected by ¶2010.

-- In 2000, there were 200 cybercafes across Algeria. By 2005, 6,000 were officially registered with the authorities.

-- Nearly 10 million Algerians have cellular phones in 2005, compared to 54,000 in 2000.

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